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FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8151
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 7165
RUEHCV/AMEMBASSY CARACAS PRIORITY 2787
RUEHLP/AMEMBASSY LA PAZ DEC 0820
RUEHPE/AMEMBASSY LIMA PRIORITY 2201
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 3111
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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SUBJECT: ECUADOR ECON WEEKLY: GOE'S 2008 BUDGET APPROVED; CORREA
SEEKS STRONGER TIES WITH ASIA; IDB EDUCATION LOAN

¶1. (U) The following is a weekly economic update for Ecuador that describes notable developments that are not reported by individual cables.

Congress Approves 2008 Budget

¶2. (U) On November 30, the Ecuadorian Congress approved the GOE's 2008 budget, but moved \$327 million planned for public debt payments to social projects in education, health, housing and welfare. The Ministry of Economy and Finance submitted the \$10.36 billion budget to Congress on September 1. Passed by 52 of 80 lawmakers present in the session, the 2008 budget will allocate \$1.7 billion or 16% of the budget to service the country's local and foreign debt. Congressmen also changed oil price estimates in the 2008 budget from \$35 to \$45 per barrel, saying the Administration's estimate was too conservative (note: Ecuadorian crude sells at a discount to international oil prices). Additionally, lawmakers included approximately \$578 million in additional petroleum revenues from private oil companies, due to a recent change in how Ecuador calculates these revenues and \$60 million from recently raised import duties. Congressman Jaime Estrada noted that these two changes will reduce the budget deficit to \$217 million from the \$855 million originally estimated.

¶3. (SBU) Comment: Lowering estimates for debt payment is a standard exercise in Congress, since it gives them room to increase spending in other areas, but has no practical affect on the government's ability to service its debt. In general, actual GOE spending at the end of the year bears little resemblance the budget approved by Congress.

Correa Seeks Stronger Commercial Relations with Asia

¶4. (U) On November 28, President Correa announced Ecuador's intent to strengthen its commercial relationships with Asian countries, after returning from his visit to Saudi Arabia, China and Indonesia. Correa stated that Ecuador is particularly interested in doing business with Asia in the petroleum and agricultural sectors. He has said he wants to diversify markets for Ecuadorian products, focusing on Asia and Brazil.

¶5. (U) During his visit, President Correa signed two agreements with Indonesian authorities. One is an agreement on cultural cooperation and the other one is a petroleum cooperation agreement between the two state-owned oil companies, Petroecuador and Pertamina, for gas and petroleum studies in the Gulf of Guayaquil and the Amazon region

of Ecuador.

IDB Approves Education Loan

¶6. (U) On November 29, based on Ecuador's Ministry of Education and Culture (MEC)'s Education Plan for 2006-2015, the Inter-American Development Bank (IDB) approved a \$295 million program to support the expansion of basic education in Ecuador. The MEC requested the loan in December 2006. The main objective of this program is to support the GOE's plan to provide universal basic education for 10 years, with an emphasis on border, rural and poor urban areas. The program, which includes reimbursement for eligible education plan expenses paid for with national budget resources, has two main components: expanding basic education coverage and improving education quality and management.

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